

304.10-140 Broker's evidence of financial responsibility and bond.

- (1) To the extent the Gramm-Leach-Bliley Act, 15 U.S.C. sec. 6751(f), provides that evidence of financial responsibility may be required for licensing, prior to issuance of a license as a surplus lines broker, the applicant shall file with the executive director, and for as long as the license remains in effect shall keep in force:
 - (a) Evidence of financial responsibility in the sum of not less than one million dollars (\$1,000,000) per occurrence, and the sum of two million dollars (\$2,000,000) in the aggregate, for all occurrences within one (1) year, either in the form of an errors and omissions insurance policy issued by an authorized insurer, a bond issued by an authorized corporate surety, a deposit, or a combination of a bond issued by an authorized corporate surety and a deposit. The policy, bond, deposit, or combination of a bond or deposit shall not be terminated unless at least thirty (30) days' prior written notice is given to the licensee and the executive director; and
 - (b) A bond in favor of the State of Kentucky in the penal sum of fifty thousand dollars (\$50,000), with an authorized corporate surety guaranteeing that he or she will conduct business under the license in accordance with the provisions of this subtitle and that he or she will promptly remit the taxes required by KRS 304.10-180. The aggregate liability of the surety for any and all claims on any bond shall in no event exceed the penal sum. No bond shall be terminated unless not less than thirty (30) days' prior written notice is given to the licensee and filed with the executive director.
- (2) An insurer issuing coverage under subsection (1)(a) or (b) of this section may offer, as a part of the policy or as an optional endorsement to the policy, deductibles optional to the surplus lines broker applicant or licensee for the payment of claims. Deductible amounts offered in accordance with this section shall be fully disclosed to the applicant or licensee in writing. If the applicant or licensee chooses a deductible policy, the insurer shall pay the deductible amount initially and the licensee shall be liable to the insurer, at the time and in the manner prescribed in the policy, for the amount of the deductible. If the licensee fails to reimburse the insurer as required by this subsection, his or her surplus lines broker license and all other licenses issued by the executive director are revoked and shall be promptly surrendered to the executive director without demand. Nothing contained in this subsection is intended to or shall in any manner alter or affect the rights of the insurer to collect the reimbursement for the deductible from the surplus lines broker.

Effective: July 15, 2002

History: Amended 2002 Ky. Acts ch. 273, sec. 40, effective July 15, 2002. -- Amended 2000 Ky. Acts ch. 393, sec. 43, effective July 14, 2000. -- Amended 1990 Ky. Acts ch. 464, sec. 3, effective July 13, 1990. -- Amended 1982 Ky. Acts ch. 123, sec. 11, effective July 15, 1982. -- Created 1970 Ky. Acts ch. 301, subtit. 10, sec. 14, effective June 18, 1970.

Legislative Research Commission Note (6/20/2005). 2005 Ky. Acts chs. 11, 85, 95, 97, 98, 99, 123, and 181 instruct the Reviser of Statutes to correct statutory references to agencies and officers whose names have been changed in 2005 legislation confirming

the reorganization of the executive branch. Such a correction has been made in this section.